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Inter Provincial

COMMERCIAL DISCOUNT CORPORATION LIMITED

ANNUAL REPORT

1961 our 5th year

DIRECTORS

JOSEPH FRIEBERG
President

ROBERT SCOLNICK
Vice-President and Secretary

RICHARD A. DALY, JR.
President, R. A. DALY & CO.

THEODORE H. GOOCH
Vice-President, CANADA LIFE ASSURANCE COMPANY

ERIC D. SCOTT
Partner, J. H. CRANG & CO.

OFFICERS

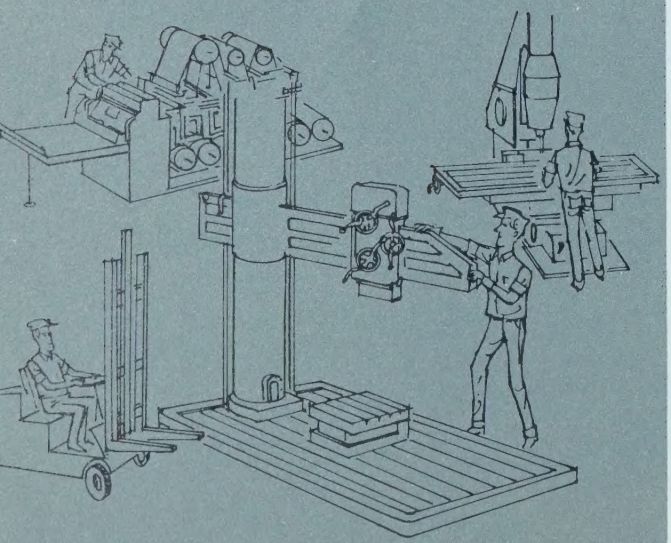
JOSEPH FRIEBERG - *President*

ROBERT SCOLNICK - *Vice-President and Secretary*

INTER-PROVINCIAL COMMERCIAL DISCOUNT CORPORATION LTD.

HIGHLIGHTS

	1961	1960
OPERATIONS		
Income	$ 441,252	$ 355,577
Expenses	$ 142,276	$ 106,394
Interest	$ 167,960	$ 161,020
Net Profit	$ 45,572	$ 33,300
COMMON STOCK		
Earned per Share	.26	
Number of Shares Outstanding	162,839	
GROWTH		
Volume of Business	$10,757,920	$9,036,000
Receivables at year-end	$ 3,153,803	$2,523,475
CAPITAL AND SUBORDINATED DEBT		
Debentures	$ 460,000	$ 312,498
Preferred Stock	$ 378,520	$ 130,020
Common Stock	$ 74,356	$ 8,000
Surplus	$ 58,395	$ 22,086



TO THE STOCKHOLDERS

The year 1960-61 can be considered the most important year so far in the short history of Inter-Provincial Commercial Discount. It was the year in which we became a public company.

In its first year of operation in 1957 the company's volume was $1,251,493, its gross income was $40,042, and its net profit was $165. This year our volume was $10,757,920, its gross income has grown to $441,252, and its net profit to $45,572.

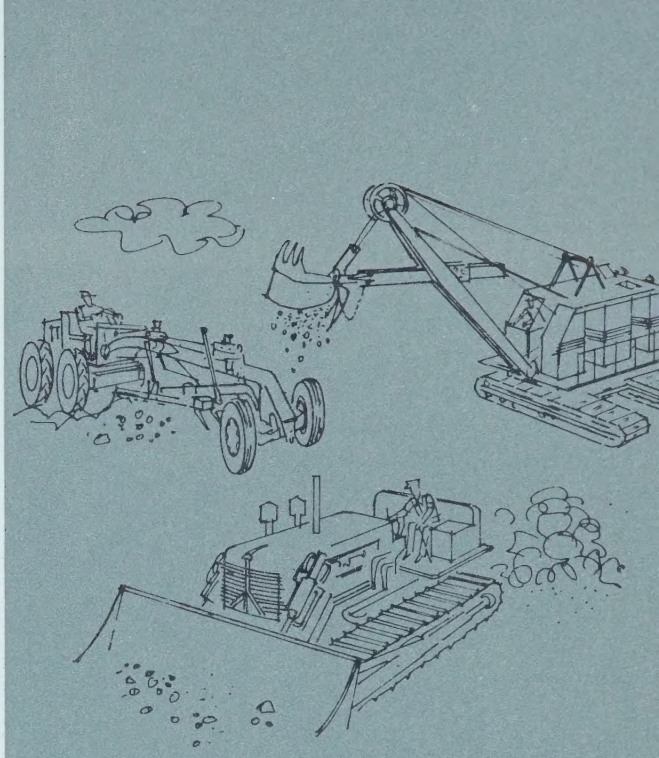
Perhaps the most significant aspect of the year's growth was the issue of $500,000, of 7½% debentures. This in effect doubled the company's base for borrowing.

On August 3 the company sold $1,000,000 of 6¾% secured notes which are not reflected in the balance sheet because the monies were received after the year end. This money will play a significant part in reducing the companies interest costs and of course is available for increased business in the coming year. It is estimated that the savings in interest will add over 10c per share to the company's after tax profits.

INCOME

Gross income was 24% higher than the previous year at $441,252.

Net income was 37% higher than the previous year at $45,572. This was due mainly to doing more business at the same cost for the monies it used. Before the company was public and had the facilities of the money markets the average cost of borrowing funds was over 9%. In this year it dropped to 8% and it is expected that next year the cost of funds will be somewhat less than 6½%.



RECEIVABLES

The volume of business of the company increased to $10,757,920.

The amount of receivables outstanding increased to $3,153,-803. It is interesting to note that the major increase took place in the last four months, as on March 31 the companies receivables were $2,519,795. Therefore the full effect of the increase in outstanding loans was not felt by the company for a full year.

CAPITAL STRUCTURE

The companies capital structure was reorganized when Inter-Provincial became public. The capital of the company is made up of 75,704 5% Preferred Shares convertible into Common Stock on a share for share basis. The Common Stock issued is 162,839 shares with 25,000 additional shares reserved for future conversion of the warrants which were given with the issue of $1,000,000 collateral trust notes on Aug. 3.

It will be appreciated from experience that the greatest growth in a company takes place after a company has been in operation a few years. It is hoped that Inter-Provincial is on the threshold of substantially accelerated business. Management will be increasingly alert through the coming years to develop this company to take a major role in the finance industry in Canada.



JOSEPH FRIEBERG, *President*



ROBERT SCOLNICK,
Vice-President and General Manager

Services and Divisions

ACCOUNTS RECEIVABLE DIVISION

The company supplies funds to manufacturers, wholesalers, and distributors against the security of their accounts receivable.

Such financing is handled usually by notifying the client's customers but sometimes it is handled on a non-notification basis. The funds available day by day to the client are in direct proportion to the amount of outstanding accounts and therefore to the client's requirements.

INVENTORY LOANS

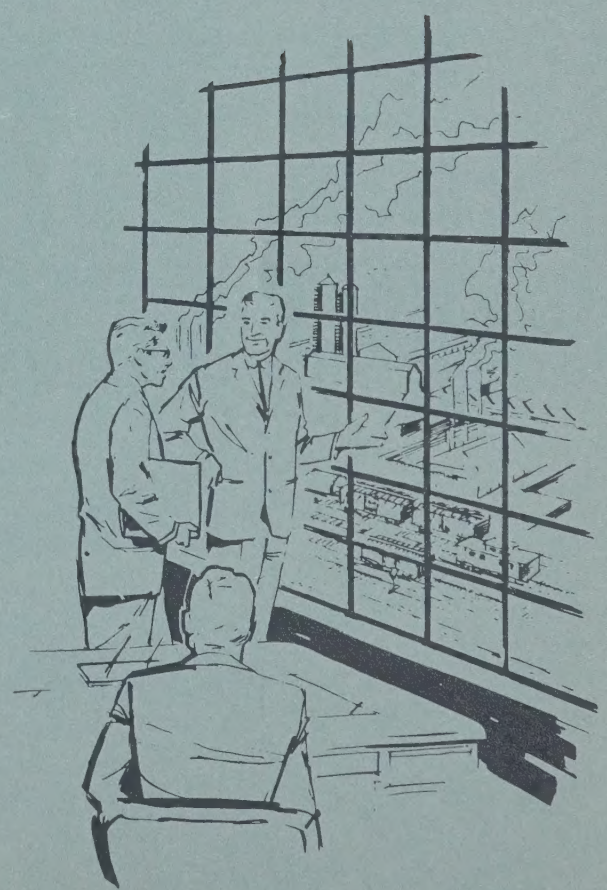
Coordinated with the accounts receivable program the company provides some clients with working funds against inventories represented by field warehouse receipts or chattel mortgages.

ADVANCES TO DEALERS AGAINST DEBENTURES OR CHATTEL MORTGAGES

Just as it does not seek inventory loans as such, the company does not make loans against the equipment of a client without having the accounts receivable to finance. It is regarded as additional accommodation to facilitate the operations of clients.

INSTALLMENT RECEIVABLES

This new division will finance manufacturers or dealers who sell extensively on time payments. These firms seek adequate and experienced outlets for the placement of such paper. Maturities are from 12 to 36 months. It is hoped that there will be representative financing of sales of construction equipment, machine tools, vending machines, laundry equipment and many other kinds of goods.



INTER-PROVINCIAL COMMERCIA

Balance Sheet

(with comparative f

ASSETS

	1961			1960		
CURRENT ASSETS						
Cash on hand and in bank		$ 45,273.00			$ 21,833.53	
Receivables						
Commercial accounts receivable	$2,609,606.13			$2,210,748.28		
Inventory loans	270,174.90			164,923.87		
Advances to dealers secured by debentures or chattel mortgages	266,979.00			149,245.13		
Commercial instalment receivable	17,372.00					
Other receivables and assets including dealers interest receivable	89,807.31			67,167.77		
	3,253,939.34			2,592,085.05		
Less: Allowance for doubtful accounts	100,136.08	3,153,803.26	3,199,076.26	68,610.48	2,523,474.57	2,545,308.10
FIXED ASSETS—AT COST						
Automobiles, office equipment and leasehold improvements		67,976.52			55,529.27	
Less: Accumulated depreciation		22,930.70	45,045.82		13,837.19	41,692.08
OTHER ASSETS						
Prepaid expenses			26,391.64			21,336.57
UNAMORTIZED COST OF ACQUISITION OF BORROWED MONEY			58,550.05			—
			$3,329,063.77			$2,608,336.75

Approved on behalf of the Board:
JOSEPH FRIEBERG
ROBERT SCOLNICK (Directors)

DISCOUNT CORPORATION LTD.

July 31, 1961

as at July 31, 1960)

LIABILITIES

	1961		1960	
CURRENT LIABILITIES				
Bank overdraft			$ 129,094.40	
Demand secured notes issued for bank advances	$1,000,000.00		700,000.00	
Short term secured collateral notes	563,968.77		672,854.28	
Other loans on pledged security	315,853.66		245,776.66	
Interest payable on debentures	8,625.00		—	
Dividends payable	—		11,320.00	
Corporation income taxes payable	3,248.11		15,774.62	
Withholding tax payable	1,866.89			
Employees income tax payable	864.95		626.60	
Accounts payable and accrued expenses	7,395.40	1,901,822.78	8,051.66	1,783,498.22
DEFERRED				
Provision for foreign exchange losses	12,040.10			—
Unearned interest on notes receivable	2,871.00	14,911.10		6,128.60
RESERVES				
Due to customers when receivables are collected		441,058.13		346,105.87
LONG-TERM DEBT—UNSECURED	500,000.00			312,498.46
7½% sinking fund debentures due November 1, 1975				
Less: Redeemed and cancelled	40,000.00	460,000.00		
CAPITAL STOCK AND SURPLUS				
CAPITAL STOCK				
AUTHORIZED				
100,000 5% preferred non-voting, non-cumulative convertible, redeemable, par value $5.00 each				
364,000 common shares, no par value				
ISSUED AND FULLY PAID			88,000.00*	
75,704 preferred shares	378,520.00		42,020.00**	
160,000 common shares	72,000.00		8,000.00***	
Add: 2,839 shares to be issued re dividend on preferred shares	2,356.37	74,356.37		
		452,876.37	138,020.00	
EARNED SURPLUS	58,395.39	511,271.76	22,085.60	160,105.60
		$3,329,063.77		$2,608,336.75

A reorganization of the capital structure of the company was effected on Oct. 31/60 (see Auditors' notes)

* Preferred A

** Preferred B

*** Common

INTER-PROVINCIAL COMMERCIAL DISCOUNT CORPORATION LTD.

Operating Statement

For the year ended July 31, 1961

(with comparative figures for July 31, 1960)

	1961		1960	
INCOME		$441,251.73		$355,577.12
EXPENSES				
OPERATING CHARGES				
General and administrative expenses	$ 66,660.73		$ 49,669.28	
Salaries	66,171.92		49,798.50	
Directors' fees	350.00		75.00	
Depreciation	9,093.51	142,276.16	6,851.63	106,394.41
		298,975.57		249,182.71
COST OF BORROWINGS				
Interest and bank charges	47,866.35		53,103.58	
Interest on collateral trust notes and loans	97,079.76		68,139.28	
Interest on subordinate notes	10,219.09		29,434.14	
Fees to Montreal Trust Company on collateral trust notes	7,613.36		7,113.07	
Amortized cost of acquisition of borrowed money	5,181.38	167,959.94	* 3,230.15	161,020.22
		131,015.63		
INTEREST ON DEBENTURES		24,829.05		—
		106,186.58		88,162.49
Less: Additions to the provision for doubtful accounts		46,212.62		34,773.73
NET PROFIT BEFORE INCOME TAXES		59,973.96		53,388.76
PROVISION FOR INCOME TAXES		14,401.84		20,088.35
NET PROFIT		$ 45,572.12		$ 33,300.41

*Loss on U.S. exchange

Schedule of Earned Surplus

For the years ended July 31, 1961 and July 31, 1960

		1961		1960
BALANCE — AUGUST 1	1960	$ 22,085.60	1959	$ 1,712.60
Add: Net profit after taxes and allowance for doubtful accounts		45,572.12		33,300.41
		67,657.72		35,013.01
Less: Common stock dividend payable on preferred shares	2,356.37			
Dividends paid:				
Preferred A	—		8,800.00	
Preferred B	—		2,520.00	
Life insurance premiums	641.00		641.00	
Adjustment re prior years taxes	264.96		966.41	
Adjustment in respect of U.S. exchange cost previously capitalized	6,000.00	9,262.33	—	12,927.41
BALANCE — JULY 31	1961	$ 58,395.39	1960	$ 22,085.60

INTER-PROVINCIAL COMMERCIAL DISCOUNT CORPORATION LIMITED

AUDITORS' NOTES TO FINANCIAL STATEMENTS

"A"

The Capital Structure of the Company as at July 31, 1960, was as follows:

AUTHORIZED CAPITAL

1,350 non-voting 10% cumulative dividend redeemable preferred "A" shares par value $100.00 per share	$135,000.00
9,000 non-voting 6% non-cumulative, redeemable preferred "B" shares par value $10.00 per share	90,000.00
25,000 common—no par value shares	25,000.00
	$250,000.00

ISSUED CAPITAL

880 preferred A shares	88,000.00
4,202 preferred B shares	42,020.00
8,000 common shares	8,000.00
	$138,020.00

Upon receipt of supplementary Letters Patent dated October 31, 1960, the Company became a Public Company. The Capital Structure of the Company was re-organized as at that date as follows:

(a) Creating 86,796 5% non-voting convertible preference shares with a par value of $5.00 each; and

(b) Subdividing the existing 25,000 common shares without par value into 300,000 new common shares on the basis of 12 new common shares for each existing common share; and

(c) Converting 440 of the said issued non-voting 10% cumulative redeemable preference A shares of the par value of $100 each into 8,800 of the new 5% non-voting convertible preference shares with a par value of $5.00 each; and

(d) Converting the remaining 440 of the said issued non-voting 10% cumulative redeemable preference A shares of the par value of $100 into 44,000 of the new common shares without par value; and

(e) Converting 2,202 of the said issued non-voting 6% non-cumulative redeemable preference B shares of the par value of $10 each into 4,404 of the new 5% non-voting convertible preference shares with a par value of $5.00 each; and

(f) Converting the remaining 2,000 of the said issued non-voting 6% non-cumulative redeemable preference B shares of the par value of $10 each into 20,000 of the new common shares without par value; and

(g) Cancelling the 470 unissued non-voting 10% cumulative redeemable preference A shares of the par value of $100 and the 4,498 unissued non-voting 6% non-cumulative redeemable preference B shares of the par value of $10 each and reducing the authorized capital of the Company accordingly; and

(h) Declaring that the authorized capital of the Company shall thereafter consist of 100,000 5% non-voting convertible preference shares with a par value of $5.00 each and 364,000 common shares without par value of which 13,204 of the said preference shares and 160,000 of the said new common shares shall have been issued and shall be outstanding as fully paid and non-assessable.

(i) Issue and allotment of 62,500 5% non-voting convertible preference shares of a par value of $5.00 each.

"B"

The company sold 7½% Sinking Fund Debentures due November 1, 1975 having a par value of $500,000.00 for $450,000.00. On completion of the sale of these debentures 20,000 common shares were issued. (15,000 common shares were attached to the bonds and 5,000 common shares were issued to the underwriter.)

"C"

The 10% Subordinated notes for $312,498.46 due 1965 were repaid.

"D"

In accordance with the sinking fund requirements of the Trust Deed, the Company redeemed $40,000 of bonds during the year.

"E"

A common stock dividend was declared on the preferred shares. The basis for calculating the number of shares issued was as follows: Cash dividend required would be $14,195.00. Since the market value of the common shares at the date of declaration was $5.00, 2,839 common shares were issued at their actual book value of .83c.

Auditors' Report

TO THE SHAREHOLDERS OF

INTER-PROVINCIAL COMMERCIAL DISCOUNT CORPORATION LIMITED

We have examined the Balance Sheet of Inter-Provincial Commercial Discount Corporation Limited as at July 31, 1961 and the Operating Statement and Surplus for the year ended on that date and have obtained all the information and explanations we have required.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the attached notes, in our opinion the accompanying Balance Sheet and Operating Statement and Surplus presents fairly the financial position of the company as at July 31, 1961 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RESNICK, WINTRAUB & CO.

Chartered Accountants

Toronto, Canada,
October 3, 1961

INTER-PROVINCIAL COMMERCIAL DISCOUNT CORPORATION LIMITED

FIVE YEARS OF GROWTH

	1961	1960	1959	1958	1957
VOLUME OF BUSINESS	10,757,920	9,036,000	6,469,404	3,166,619	1,251,493
GROSS INCOME	441,252	355,577	201,694	100,753	40,042
NET PROFIT AFTER TAXES	45,572	33,300	21,018	13,776	165
LOANS OUTSTANDING	3,153,803	2,523,475	1,548,918	830,504	480,642
CAPITAL (including unsecured debt preferred stock, common stock and surplus)	971,272	472,604	338,233	249,121	162,212

The advertisement pictured here is used in our business development program. We show them to give our stockholders a better idea on how our company operates.

"I will never forget the important part Inter-Provincial Commercial Discount Corporation Limited's money played in a critical growth period of our Company"

says Theodore Warden, President of New Way Laminates Ltd., Toronto

Theodore Warden, President of New Way Laminates Limited, a leading manufacturer of plastic counter tops and coffee tables, says that Inter-Provincial's funds were vital to the growth of his company.

"I won't forget how the alert executives of Inter-Provincial came to our aid at a time when we needed money to grow, and not so, incidentally, at a time when our balance sheet was far from its best. Inter-Provincial's cash advances on our receivables kept pace with our growth, and gave us the support we needed at a critical growth period. Inter-Provincial indicated a degree of confidence which found expression in advances in excess of what was warranted by our financial position at the time. Without Inter-Provincial's funds, we would have been compelled to dilute our ownership and share our profits. We have found commercial financing invaluable—and we have profited by it."

New Way Laminates Limited no longer makes use of our working funds. They enjoy a substantial net worth which was helped built up by commercial financing, and they are now able to finance entirely with their bank.

What about your company? Have you passed up growth and profit opportunities because of lack of money? If so, it will pay you to learn the facts about Inter-Provincial's modern financing program — individually designed to fit your needs.

The advertisement pictured here is used in our business development program. We show them to give our stockholders a better idea on how our company operates.

COMMERCIAL FINANCE FIRMS AS "SECONDARY BANKERS"

by ROBERT SCOLNICK
Vice-President and General Manager of
INTER-PROVINCIAL COMMERCIAL
DISCOUNT CORPORATION LIMITED

Traditionally the avenues open to smaller businesses for raising funds have been as follows:

1. *borrowing money from friends or relatives*
2. *acquiring partners*
3. *selling stock to the public if the company had achieved sufficient status*
4. *turning to the bank*

Of the above, of course, the bank has been the greatest source of funds, but during the past ten years financial institutions in general have been forced by circumstances to hold a tight money policy towards borrowers.

This has led to the opening of a fifth major avenue of obtaining funds by the smaller company—the commercial finance company.

How can a commercial finance company be of assistance. For example, a new enterprise is organized with a capitalization of $50,000.00. Assuming that the money was invested in fixed assets, the company would find its working capital position unable to facilitate a vigorous expansion of its sales.

On the other hand, a finance company such as Inter-Provincial Commercial Discount Corporation Limited, should it be satisfied with the company's management and its ability to generate receivables, would be in a position to advance as much as $100,000.00. With this sum on hand, shrewd management could within one, two or three year's of profitable operations be able to approach banks for accommodation.

Today, commercial finance companies have broadened their spheres of activity to the point where they actually serve as "secondary bankers".

Although the companies serviced by commercial finance companies may not be bankable at the time, the credit application is just as rigidly screened as if it was a bank loan.

Among the criteria followed are:—

1. *Is management capable and experienced? Will the men who own and manage the company apply the money wisely?*
2. *Can the company's present picture be improved? If a reserve made it necessary for the company to turn to us, can the emergency really be considered temporary?*
3. *If money is being sought for new machinery or expansion, what are the prospects for the company? Will it put the the company in a better competitive position?*
4. *What is the quality of the borrower's accounts receivable?*
5. *What is the market potential of the company's products or services? The best management cannot create enough volume over the long haul if there is insufficient market acceptance.*

Yet despite all these questions that must be answered, we operate at great speed. Our alert officers can satisfy themselves and make funds available in 48 hours.

There is nothing capricious in our approach to any situation. We maintain the closest possible contact with each of our clients, while at the same time avoiding meddling in management affairs. To do this, we have developed techniques that permit us to maintain a close watch on the volume and quality of the collateral assigned to us.

If your company can see opportunities for increased profits through the use of additional working funds, why not approach us for more specific information pertinent to your own situation. Your enquiry will be treated in confidence and without obligation.



INTER-PROVINCIAL COMMERCIAL
DISCOUNT CORPORATION LIMITED
FINANCING GEARED FOR
INDUSTRY